

BILL # HB 2588

TITLE: day laborers

SPONSOR: Kavanagh

STATUS: As Introduced

PREPARED BY: Tyler Palmer

FISCAL ANALYSIS

Description

This bill requires companies and individuals who employ day laborers to obtain a registration certificate from the Registrar of Contractors (ROC). The ROC would be responsible for determining the registration certificate fee. The bill also requires that the employer provide the day laborer with written documentation on the nature of, and the compensation for, employment.

Estimated Impact

The bill is estimated to result in additional costs from the Registrar of Contractors Fund. The costs will be offset by the new registration certificate fee deposited into the Registrar of Contractors Fund. The ultimate magnitude of these costs cannot be determined with certainty due to a lack of information on the number of day laborer employers in the state. The cost would also depend on the level of the ROC's enforcement effort.

As an initial cost, the bill is estimated to require at least \$1 million, including one-time expenses, from the Registrar of Contractors Fund to implement registration procedures and process the initial inflow of applications. Once the ROC begins to receive applications, the actual ongoing costs to register day laborers could be more accurately evaluated at that time. The \$1 million amount would not include significant funding for enforcement. This amount would be adjusted upward by \$750,000 to provide an initial source of funding to implement a broad enforcement effort.

The ROC estimates the cost of the bill to be \$15.4 million. This amount includes monies for both licensing and enforcement activities. Given that the ROC's existing budget is \$10.6 million, their estimate appears to be overstated.

Analysis

This bill would require companies and individuals who hire day laborers to obtain a registration certificate from the ROC. The intent of the sponsor is for the ROC to only be responsible for administering the process of issuing a registration certificate and establishing issuance and renewal fees. However, the ROC interprets the bill as also including enforcement responsibility. Legislative Council stated that the bill does not contain a specific enforcement provision. The bill does require the ROC to adopt rules necessary to administer the provisions of the bill, which the agency might interpret to include enforcement activities.

There is no available data on the number of employers in Arizona who hire day laborers. A 2004 study entitled *On the Corner: Day Labor in the United States* estimated that, on any given day, approximately 120,000 day laborers are seeking employment nationwide. If Arizona had a proportionate number of this estimate, the state's day labor workforce would be 2,400 on any given day; however, this figure appears to be too low. The study indicated that, while day laborers perform a variety of jobs, the most frequent employment is as a construction laborer. In addition, the study found that 60% of day laborers immigrated to the U.S. within the last 5 years, and that a substantial portion of this population lacks legal immigration status. Given Arizona's level of construction activity and its growth in the illegal immigrant population, the state's day labor population on any given day is likely higher than 2,400.

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The survey did not attempt to quantify the number of employers who hire day laborers; however, the study estimated that 43% of the employers are contractors, 49% are private individuals, 6% are companies, and 1% are other day laborers.

The ROC estimates that the bill would initially result in the issuance of 40,000 registration certificates. The ROC has based its estimate on the agency's current number of licensed contractors and has assumed that all existing contractors would employ day laborers and obtain a registration certificate. This assumption seems unlikely as not all contractors use this type of labor. The ROC estimates the cost of the bill to be \$15.4 million, which would include funding for both registration and enforcement activities. Of the total, ROC estimates a cost of \$10 million to hire new 194 new full-time and 237 part-time positions. The remaining \$5.4 million would be allocated for non-payroll costs, such as an information management system. Excluding \$3.7 million in one-time costs for the information management system, the average cost per registration certificate would be \$293.

Given that the agency currently has 139 FTE Positions to license and regulate residential and commercial construction contractors, and that the total agency FY 2007 appropriation for these functions was \$10.6 million, the ROC estimate of \$15.4 million to implement the provisions of the bill appears to be high. In addition, some of the technology-related costs the agency has cited are to replace aging systems, which would not be impacted by passage of the bill. The agency's existing average cost per license is \$266.

The ROC currently has 11 offices throughout the state. Of these, 4 are large regional offices within Maricopa County and 7 are smaller field offices spread throughout the state. In implementing the provisions of this bill, the ROC could see an initial surge in the number of applications for registration certificates, but this number should decrease as time goes on. The actual number of applications the ROC will receive is uncertain. Therefore, the ongoing operating costs are unknown at this point.

Without knowing the number of applications the ROC might receive, to implement the registration process the department could require 1 additional FTE Position in each of the 7 outlying field offices, and 2 additional FTE Positions in each of the 4 regional offices. Estimating an average of \$50,000 for salary, benefits, and other operating costs for each of the 15 FTE Positions would cost \$750,000. The ROC also might require additional money to enter and track information on day laborer employers in its existing contractor database. Assuming an additional \$250,000 for database costs, the total cost to implement the registration process could be \$1 million. Once the ROC begins to receive applications, the actual ongoing costs of the registration process could be more accurately assessed.

For contractors to receive a license, statute requires applicants to complete an application and pay a fee. In addition, contractors are required to post a surety bond; pass a written and physical examination testing for adequate knowledge and skills of applicable building codes, safety standards, and state laws; and undergo the ROC's analysis of background and qualifications to assure the adequate training, experience, and character. For day laborer employers to receive a registration certificate, the bill would only require applicants to complete an application and pay the fee.

The \$1 million amount would not include significant enforcement funding. The cost of the bill would be higher if ROC were to engage in broad enforcement activities. The ROC could require 15 FTE Positions and \$750,000 to implement enforcement procedures. An enforcement component would also likely result in greater compliance with the registration requirements of the bill, which could further increase registration costs.

Local Government Impact

None

2/23/07